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August 21, 2012

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VIA HAND DELIVERY

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

FILED/ACCEPTED

AUG 21 2012

Federal Communications Commission
Office of the Secretary

Re: For Public Inspection
Adak Eagle Enterprise, LLC - For Public Inspection Version of Second Submission
of Supplemental Information in WC Docket Nos. 10-90, 07-135, 05-337 and 03-109;
CC Docket Nos. 01-92 and 96-45; WT Docket No. 10-208; GN Docket No. 09-51

Dear Ms. Dortch:

On behalf of Adak Eagle Enterprises, LLC (“AEE”) and in accordance with the Protective Order adopted in the above referenced proceedings, please find enclosed two copies of AEE’s Public Inspection version in redacted form of its Second Submission of Supplemental Information filed in the aforementioned dockets. The [[]] symbols in the Public version denote redacted Confidential Information. A Confidential version is being filed separately with the Secretary’s Office and the Wireline Competition Bureau.

Should you have any questions concerning the foregoing request, please contact the undersigned.

Sincerely,



Monica S. Desai
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2550 M Street, NW
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(202) 457-7535
Counsel for Adak Eagle Enterprises, LLC

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Federal Communications Commission
Office of the Secretary

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202-457-7535
mdesai@pattonboggs.com

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: **Second Submission of Supplemental Information**
WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-
45, GN Docket No. 09-51, WT Docket No. 10-208.
Petitions for Waiver – Adak Eagle Enterprises and Windy City Cellular

Dear Ms. Dortch:

This letter supplements the filing submitted by Adak Eagle Enterprises, LLC (“AEE”) and Windy City Cellular, LLC (“WCC”) on Monday, August 20, providing information in response to questions raised Friday, August 17 during a conference call with Commission staff in the Wireline Competition Bureau (“WCB”) and the Wireless Telecommunications Bureau (“WTB”).¹ In the August 20 Ex Parte Notice, AEE and WCC provided the following supplemental information in support of their Petitions for Waiver:² (1) AEE’s 2012 financial statements; (2) line count fluctuation information; (3) copies of AEE’s RUS loan documents; (4) information related to other AEE loans; (5) copies of AEE’s CPRs; (6) copies of the lease agreements between AEE and affiliated and non-affiliated companies; and (7) copies of AEE and WCC ETC filings. Today, in further response to staff questions raised on August 17, AEE and WCC provide this second set of supplemental information.

1. Financial statements for 2012.

This information was provided in the Ex Parte Notice filed on Monday, August 20, 2012.

¹ See Letter from Monica Desai, Counsel, Adak Eagle Enterprises, LLC and Windy City Cellular, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, Ex Parte Notice and Submission of Supplemental Information, WC Docket No. 10-90, *et al.*, dated August 20, 2012 (“AEE August 20, 2012 Ex Parte”).

² See Petition for Waiver of Adak Eagle Enterprises, LLC, WC Docket No. 10-90, *et al.*, filed May 22, 2012; Petition for Waiver of Windy City Cellular, LLC, WC Docket No. 10-90, *et al.*, filed April 3, 2012.

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- 2. Additional information regarding the increase in AEE's costs and the change in line counts between 2005 and today.**

This information was provided in the Ex Parte Notice filed on Monday, August 20, 2012.

- 3. The names, positions, responsibilities and compensation for the 10 highest paid employees for AEE and its affiliates for the years 2009 – 2011, and the justification of why each employee is necessary.**

The names of the 10 highest paid employees, as well as additional employee information requested by WCB staff for the years 2009-2011, are being compiled and will be provided this week. Additional information regarding employee compensation was provided in the Ex Parte Notice filed on Monday, August 20, 2012.

- 4. Additional information responding to questions regarding L&A Property, LLC.**

This information was provided in the Ex Parte Notice filed on Monday, August 20, 2012.

- 5. Additional information justifying the number of employees needed to support AEE's operations.**

This information was provided in the Ex Parte Notice filed on Monday, August 20, 2012.

- 6. Additional information regarding the percentage of AEE's corporate operations expenses dedicated to regulated and non-regulated operations.**

AEE is compiling this information for Commission staff and intends to submit it as soon as possible this week.

- 7. Additional information regarding AEE's telephone, postage, and lobbying expenses.**

AEE is compiling this information for Commission staff and intends to submit it as soon as possible this week.

- 8. Copies of CPRs for AEE and all affiliates for the last three years and additional information regarding how certain items are used for the provision, maintenance, and upgrading of facilities consistent with the purposes of USF funding.**

Copies of AEE's CPRs, as well as ETC filings, were provided in the Ex Parte Notice filed on Monday, August 20, 2012. Additionally, further explanations were provided regarding how specific items referenced by WCB staff relate to the provisioning, maintenance and upgrading of facilities consistent with the purposes of USF funding.

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In order for AEE and WCC to submit the back-up files for the CPRs provided, the company would have to scan and create zip files of over 3,000 pages of invoices. AEE and WCC will provide this additional documentation if staff requests it. Because it will require significant resources to scan 3,000 pages of documents, we are checking first to see if the CPRs already provided are sufficient.

A copy of WCC's CPRs is attached hereto at Attachment 1.

9. Additional information regarding the number of employees working in Adak versus AEE's Anchorage office.

This information was provided in the Ex Parte Notice filed on Monday, August 20, 2012.

10. Copies of the lease agreements between AEE and affiliated and non-affiliated companies for the last three years.

Copies of AEE's lease agreements with non-affiliate and affiliated companies were provided in the Ex Parte Notice filed on Monday, August 20, 2012.

Further clarifying information related to AEE's lease agreements with L&A Property, LLC and Adak Cablevision, LLC, are attached hereto at Attachment 2.

11. Additional information regarding AEE's external relations expenses.

AEE is compiling this information for Commission staff and intends to submit it as soon as possible this week.

12. Additional information regarding AEE's income tax expense in 2011.

With respect to the 2011 income tax expense reflected in the financial statements contained in Exhibit 8 of AEE's Petition, the amount listed was an expense, not a benefit. Brackets used to denote a benefit should not have been inserted around the 2011 amount on the financial statement. The 2011 income tax expense was properly subtracted from AEE's net income.

13. Additional information regarding the use of AEE's operating loss in 2010 to reduce tax liability.

During AEE's start-up phase, the company incurred net losses rather than income. These losses have been carried forward to be offset against future income. To date, the amount of the losses carried forward has been higher than the income generated. As a result, AEE has not paid any tax since inception. With respect to AEE's balance sheet, because there was no income tax payable for 2010, there was no liability that could be reduced. The operating loss for that year will be used to reduce tax liabilities in the future.

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14. Copies of AEE's loan documents, including original loan packages, any updates, correspondence with creditors, and finance statements.

Copies of the requested RUS loan documents, as well as additional Wells Fargo loan documents, were provided in the Ex Parte Notice filed on Monday, August 20, 2012.

Additional copies of RUS correspondence are attached hereto at Attachment 3.

15. Additional information regarding any projected cost increases greater than 10% for WCC from the end of 2011 through 2016, including costs specifically related to the White Alice cell site.

AEE is compiling this information for Commission staff and intends to submit it as soon as possible this week.

16. Additional information regarding expenses paid by WCC to AEE for each of the past three years.

AEE is compiling this information for Commission staff and intends to submit it as soon as possible this week.

17. Additional information regarding WCC's retail store.

WCC provides its customers with the only retail store located on Adak Island. Not only does the store allow consumers to test and purchase wireless handsets and routers, but it also provides a valuable public service by allowing customers to use the Internet at no cost using free WiFi on laptops located in the store. There is no other public venue on Adak Island where customers can use free WiFi to access the Internet (for example, there is no library on Adak Island). Additionally, the store provides a television set on which residents can see available channel lineups. Prior to the opening of the retail store, residents went to the plant facilities to talk to personnel at AEE or WCC, thus presenting significant safety and security risks.

As AEE and WCC reiterated on the August 17 call with Commission staff, they respect and appreciate that it is the responsibility of Commission staff to ensure that Universal Service Funds are being used appropriately. AEE and WCC do not question that staff would like additional information to understand their requests for support.

AEE and WCC continue to emphasize that as a matter of process, it is unsettling and distressing that the Commission may potentially allow additional USF funding cuts to take effect while it takes time to evaluate the newly requested information. They are working hard to respond, as

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quickly as possible, to the numerous additional questions asked by staff during the discussion. However, these new sets of questions will require detailed responses involving pulling and going through several years of historical files. As a result of the USF funding cuts that have already taken effect, they have had to terminate approximately one-third of their work force. Ms. Weaver also noted that August is a particularly intensive month for regulatory filings. They are in the midst of preparing state filings and federal filings that are due later in August and in September, in addition to maintaining the regular operations of the companies.³

As stressed in meetings and previous filings, AEE and WCC made tremendous good faith efforts to provide full information to the Commission, and expended substantial time, labor, and financial resources to include in their initial Petitions, which were filed in April and May, all of the detailed information required by the *USF/ICC Transformation Order*.⁴ They also have expended significant additional resources for Mr. Mayes and Ms. Weaver to travel to Washington, D.C. from Alaska twice to meet with Commission staff for the purpose of providing information, answering questions, and explaining the information submitted in support of their Petitions.⁵ Furthermore, since filing their Petitions, AEE and WCC have filed additional information, and through their counsel, have regularly contacted Commission staff to check to see if any more additional information might be needed from either company and to volunteer their assistance in answering any questions the staff might have.

As also explained in prior filings, the current cuts in the support to WCC (even with the interim partial relief granted to WCC while the Commission is evaluating a solution for AEE and WCC as a whole) also has already had the following additional detrimental impacts: (1) AEE has dropped below the tier classification requirements of its RUS loan covenants – potentially triggering default on its RUS loan; (2) there is no longer any needed backhaul redundancy, which leaves all WCC customers without service when outages occur due to the extremely challenging weather conditions in Adak; (3) WCC does not have the funds needed to upgrade its facilities to 3G (LTE) service; (4) WCC does not have the funds for software needed to track and bill the roaming minutes on its network; (5) WCC abandoned its plans to construct a Clam Lagoon site, intended to enable greater network redundancy, despite having undergone six months of

³ See AEE August 20, 2012 Ex Parte at 2, n.3.

⁴ See *Connect America Fund et al.*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, 26 FCC Rcd 17663 (2011).

⁵ See Letter from Monica Desai, Counsel, Windy City Cellular, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, Notice of Ex Parte, WC Docket No. 10-90, *et al.*, dated April 6, 2012 (memorializing April 4, 2012 meetings with Commission staff); Letter from Monica Desai, Counsel, Windy City Cellular, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, Notice of Ex Parte, WC Docket No. 10-90, *et al.*, dated April 9, 2012 (memorializing April 5, 2012 meetings with Commission staff); Letter from Jennifer L. Richter, Counsel, Windy City Cellular, LLC and Adak Eagle Enterprises, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, Notice of Ex Parte, WC Docket No. 10-90, *et al.*, dated May 17, 2012 (memorializing May 15, 2012 meetings with Commission staff); Letter from Monica Desai, Counsel, Windy City Cellular, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, Notice of Ex Parte, WC Docket No. 10-90, *et al.*, dated May 21, 2012 (memorializing May 17, 2012 meetings with Commission staff).

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planning;⁶ and (6) the retail store on Adak Island can no longer support a full-time employee, and as a result that employee is now only working 20 hours per week and has lost her health benefits.

If the reduction in support to AEE is allowed to take effect pursuant to the *USF/ICC Transformation Order*, both companies will be severely impacted. To avoid further detrimental impact, and to avoid a default on AEE's RUS loan, AEE emphasizes its need for interim relief while FCC staff completes its evaluation of this newly requested information. AEE's 2012 financial statements, submitted with the Ex Parte Notice filed on August 20, reflect that WCC, AEE's wireless affiliate, is already operating at a loss, even with the interim relief provided to WCC by the Commission.⁷ When WCC's costs and revenues are separated out, the financial statements illustrate that, without interim relief, AEE will also begin operating at a loss on September 1. AEE will be forced to shut down by December 31, 2012.

AEE and WCC continue to stand ready to provide any additional information that Commission staff may request. However, AEE respectfully requests interim relief in the form of a stay of the implementation of Section 54.302 of the Commission's rules while the Bureaus continue their review process. AEE makes this request based on the timing of these new information requests, combined with AEE's and WCC's good faith efforts over the past five months to provide the Commission with timely and full information, the financial strain that has already been put on the companies by the funding cuts that have already taken effect, and, most critically, because AEE will be operating at a loss and in danger of defaulting on its RUS loans if additional funding cuts are allowed to take effect while the Commission evaluates the newly requested information.

Respectfully submitted,



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*Counsel to Adak Eagle Enterprises, LLC
and Windy City Cellular, LLC*

⁶ See Letter from Monica S. Desai, Counsel, Windy City Cellular, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, Notice of Ex Parte, WC Docket 10-90 *et al.*, dated June 11, 2012; Letter from Monica S. Desai, Counsel, Windy City Cellular, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, Submission of Supplemental Information, WC Docket 10-90 *et al.*, dated July 13, 2012.

⁷ See *In the Matter of Connect America Fund, et al.*, WC Docket No. 10-90, *et al.*, Order, DA 12-923 (rel. June 12, 2012).

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cc:

Patrick Halley

Amy Bender

Katie King

Susan Miller

Soumitra Das

Gary Michaels

Mark Rossetti

Ruth Milkman

Julie Veach

Carol Matthey

Sue McNeil

Jane Jackson

Margaret Wiener

Lease Agreement Explanatory Notes

Attachment 2

REDACTED – FOR PUBLIC INSPECTION

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Entire Attachment Redacted For Public Inspection

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WCC Continuing Property Records

Attachment 1

REDACTED – FOR PUBLIC INSPECTION

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Entire Attachment Redacted For Public Inspection

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RUS Correspondence

Attachment 3

REDACTED – FOR PUBLIC INSPECTION

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Entire Attachment Redacted For Public Inspection

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Declaration of Andilea Weaver

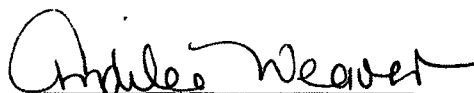
Attachment 4

DECLARATION OF ANDILEA WEAVER
ADAK EAGLE ENTERPRISES, LLC AND WINDY CITY CELLULAR, LLC

I, Andilea Weaver, declare the following is true and correct to the best of my knowledge and belief:

I am the Chief Operations Officer of Adak Eagle Enterprises, LLC and Windy City Cellular, LLC. I have reviewed the attached Second Submission of Supplemental Information, including all attachments, and attest, under penalty of perjury, that the facts contained therein are known to me and are accurate.

Executed on this 21st day of August 2012.

A handwritten signature in black ink that reads "Andilea Weaver". The signature is fluid and cursive, with the first name "Andilea" being more prominent than the last name "Weaver".

Andilea Weaver
Chief Operations Officer
Adak Eagle Enterprises, LLC and
Windy City Cellular, LLC